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United Nations Office for Project Services

United Nations Office for Project Services budget estimates for the biennium 2010-2011

Summary

The estimates in the budget proposals of the United Nations Office for Project Services (UNOPS) for the 2010-2011 biennium total $135.2 million with a net revenue target of $5 million to be contributed to the operational reserve. Due to the uncertainties associated with the present global financial climate, this is based on modest growth in estimated gross revenue to $140.2 million, a 2.6 per cent increase compared with estimates for the current biennium.

The 2010-2011 budget proposals underpin the objectives of UNOPS strategic plan, 2010-2013 (DP/2009/36). While most resources are dedicated to the direct management and oversight of implementation services contributing to the operational results of partners, the budget also prioritizes certain strategic investments aimed at increasing UNOPS efficiency and effectiveness. These include continued improvement of business practices, learning and certification of staff, preparations to implement the international public sector accounting standards (IPSAS), and strengthened internal oversight. Compared with the previous biennium budget, resources are directed to project management as a new practice area offering policy leadership, tools, and training to personnel worldwide.

The format and framework of the UNOPS budget are in line with the harmonized results-based budget approach of UNDP, UNFPA and the United Nations Children's Fund (UNICEF).

Elements of a decision

The Executive Board may wish to: (a) take note of the use of the harmonized approach to results-based budgeting; (b) endorse the targeting of resources towards the strategic objectives and results identified in the strategic plan, 2010-2013, and (c) approve the net revenue target of $5 million for the 2010-2011 period.

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Contents

Chapter *Page*

Organizational chart 3
I. Executive summary 4
II. Strategic and financial context of the biennium budget 4
A. Strategic framework 4
B. Financial framework 6
III. Proposals for the biennium support budget, 2010-2011 9
A. Summary of proposals 9
B. Description of biennium budget activities and resources, by function 11
Function 1: Executive direction and leadership 11
Function 2: Representation and advancement of the core mandate 11
Function 3: Corporate policy and strategy development, planning and guidance 12
Function 4: Programme guidance, management and oversight 13
Function 5: Procurement and supply management 14
Function 6: Crisis prevention, recovery and emergency management 14
Function 7: External relations and partnerships 15
Function 8: Internal and external communication: media and public relations 15
Function 9: Resource mobilization and fund-raising 16
Function 10: Financial management 17
Function 11: Information and communications technology management 17
Function 12: General administrative management 18
Function 13: Human resources 19
Function 14: Audit and investigations 20
Function 15: Corporate evaluation 21
Function 16: Staff security 21

Lists

List of tables

1. Budget estimates for 2010-2011 7
2. Posts by category and location 2008-2009 and 2010-2011 10
3. Proposed budget estimates by function 10

List of figures

1. Gross revenue trends, with breakdown for revenue source 8
2. Summary of proposed 2010-2011 budget, project expenditures and contribution to operational reserve 9

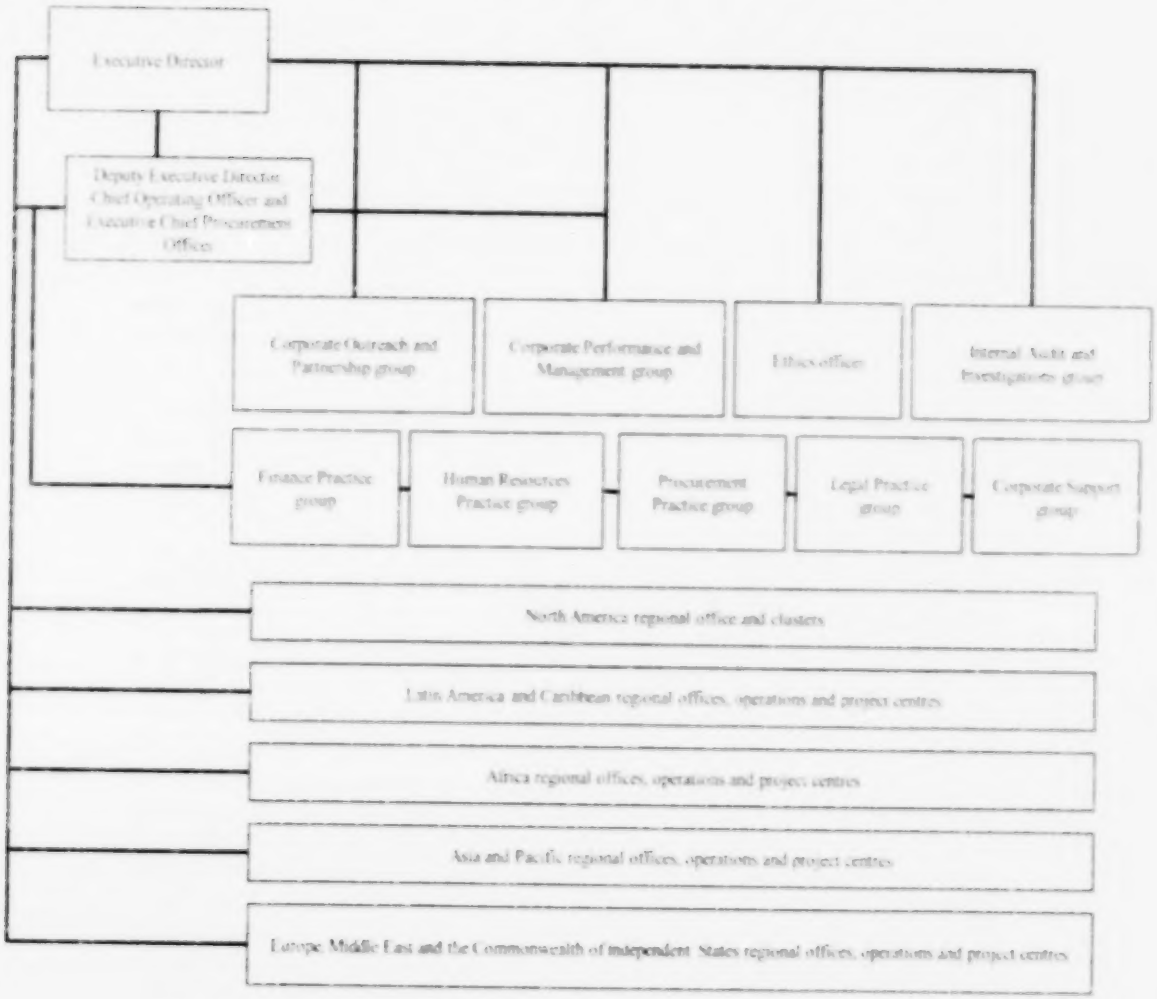
List of summary tables

1. Proposed changes in senior posts 23
2. Budget estimates by expenditure category 23

Annexes

1. Terminology 24
2. Methodology 25

Organizational chart


Executive Director
Deputy Executive Director, Chief Operating Officer and Executive Chief Procurement Officer
Corporate Outreach and Partnership group
Corporate Performance and Management group
Ethics office
Internal Audit and Investigations group
Finance Practice group
Human Resources Practice group
Procurement Practice group
Legal Practice group
Corporate Support group
North America regional office and clusters
Latin America and Caribbean regional offices, operations and project centres
Africa regional offices, operations and project centres
Asia and Pacific regional offices, operations and project centres
Europe, Middle East and the Commonwealth of Independent States regional offices, operations and project centres

I. Executive summary

1. At the time of preparing the 2010-2011 biennium budget, UNOPS, together with most of its partners, faced unusual constraints in predicting availability of resources and future demand for its services. While a field-based review pointed to opportunities for continued growth in demand, a cautious approach was applied to setting revenue targets and developing budget proposals. Careful attention to changes in revenue patterns will be required in the period ahead, as upwards or downwards adjustments may become necessary to fine-tune administrative expenditures to evolving realities.

2. The UNOPS strategic plan, 2010-2013 (DP/2009/36) provides clear direction for the budget. The budgetary proposals are designed to help achieve the operational and management results set out in the strategic plan. This budget is harmonized with the budgets of UNDP, UNICEF and UNFPA in a results-based budgeting format and framework, and is an integral part of the UNOPS corporate performance management system.

3. Total revenue expected for the 2010-2011 biennium is $140.2 million. This includes $125.3 million from project delivery, $6.3 million of service delivery and $8.5 million from miscellaneous sources.

4. The 2010-2011 biennium budget represents an overall increase of $15.2 million in appropriations or a 13 per cent increase compared to 2008-2009 approved biennium budget (including the provision for write-offs). The proposed increase includes anticipated adjustment of United Nations salary scales, reclassification of posts, within-grade salary increments and inflation. The net increase also reflects UNOPS efforts to reduce costs through increased efficiency, offsetting the full increase otherwise required. In line with these efforts, the number of approved posts has been reduced from 391 to 345.

5. During the 2008-2009 biennium, UNOPS introduced several initiatives to increase effectiveness and efficiency. Strategic investments in 2010-2011 continue supporting objectives of the UNOPS strategic plan and establishing UNOPS as a service provider performing at world-class standards in its focus areas.

6. The recently-updated client pricing policy of UNOPS requires full cost recovery of every engagement, including direct charges and all related overhead costs, as well as contributions to the operational reserve in order to manage financial risks and liabilities. The anticipated average fee level is expected to marginally increase, from 5.6 per cent in 2009 to 5.86 per cent in the upcoming period.

7. In line with Financial Regulation 14.02, the achievement of a net revenue target established by the Executive Board is essential to providing the Executive Director with necessary flexibility to implement the biennial budget. For the 2010-2011 period, assuming the validity of current assumptions, UNOPS is proposing a net revenue target of $5 million to be contributed to the operational reserve, thereby fully replenishing the operational reserve by the end of the biennium.

II. Strategic and financial context of the biennium budget

A. Strategic framework

8. The 2010-2011 budget proposals are geared to implementing the vision of the 2010-2013 strategic plan: "…to always satisfy partners with management services that meet world class standards of quality, speed and cost-effectiveness". An

important related feature of the strategic plan is to focus the work of UNOPS where it can contribute the most to the results of partners, which in turn will help build operational excellence in these areas.

9. The 2007-2009 business strategy of UNOPS focused on rebuilding financial stability through improved client satisfaction, the introduction of world class business practices and performance, and enhanced workforce competence and motivation. Much has been achieved: UNOPS is now an active and more appreciated member of United Nations country teams; financial viability has been proven for three consecutive years; and there is greater accountability and transparency, improved risk management, internal controls and oversight in place. Nonetheless, fundamental change takes time and requires investment, difficult for a fully self-financed organization that still has to cover liabilities from earlier periods.

10. The new strategic plan encompasses 11 strategic performance objectives distributed over the four perspectives of the "balanced scorecard" – finance, partners, business processes and people.

UNOPS strategic performance objectives

1	Improve financial performance
2	Mitigate financial and reputational risks
3	Deliver services that meet or exceed expectations
4	Improve communications
5	Build strong strategic partnerships
6	Lead in physical infrastructure and procurement
7	Enhance national implementation capacities
8	Improve process efficiency and effectiveness of UNOPS practices
9	Improve staff competencies
10	Enhance workforce diversity
11	Increase staff motivation and retention

Harmonization of results-based budgeting

11. As required by the Executive Board in decision 2008/5, UNOPS has developed its budget in alignment with the harmonized approach adopted by UNDP, UNFPA and UNICEF. This includes adaptation of the functional framework and organization of the biennium budget around 16 common functions and common results (one result for each function). These have been aligned with the 11 strategic performance objectives and the existing corporate performance management system of UNOPS. A brief description of the methodology used by UNOPS in adopting a results-based budget approach can be found in annex 2.

12. With a view to improving the methodology and deriving greater benefits over time, UNOPS will continue examining lessons learned from implementing results-based budgeting in-house, as well as by UNDP, UNICEF and UNFPA, among others.

Budget preparation and implementation

13. To ensure ownership and reflection of realities 'on the ground', all UNOPS offices and teams were involved in developing the strategic plan and budget, the latter using a two-phased approach. The first determined revenue projections and the second prepared specific budget proposals corresponding to the targeted revenue

levels. Implementation of the budget will be decentralized to regions, operations centres and projects centres, that will be held accountable for reaching target agreements.

14. Monitoring of, and reporting on, budget implementation will be an integral part of UNOPS comprehensive performance management system. Data will be collected at the activity level to allow results to be reported at multiple levels, including activity and function, for the whole organization and at the unit level.

15. To allow the flexibility required to meet changing demands for UNOPS services by its partners, Financial Regulation 14.02 grants the Executive Director authority to re-deploy funds within the approved biennial administrative budget, as well as to increase or reduce funds, including the number of posts in the staffing table, provided the net revenue target for the biennium established by the Executive Board is met.

New organizational structure

16. UNOPS recently implemented a new organizational structure aimed at driving efficiency and effectiveness in the delivery of services to partners. This structure, reflected in the organizational chart, is intended to coordinate decision-making and integrate key functional roles around 'management practices' and 'implementation support practices'. The new structure clearly defines functions, authorities and accountabilities.

B. Financial framework

17. In light of the current global financial climate and related uncertainties, it is prudent for UNOPS to plan cautiously for 2010-2011. The proposed revenue figures are the result of a thorough review of partner opportunities available to UNOPS. They are based on past performance and expected demand in the focus areas outlined in the new strategic plan. Naturally, predictability is greater for 2010 than 2011. For the 2010-2011 biennium, the total gross revenue target for project implementation and services is set at $140.2 million, with a proposed budget of $130.2 million prior to the provision of write-offs, and $135.2 million after write-offs. The target for contributions to the operational reserve is $5 million to meet 'full' requirements.

18. Total revenue is expected to increase, from the $136.6 million as currently estimated for 2008-2009, to $140.2 million in 2010-2011 – growth of $3.6 million or 2.6 per cent. As can be seen in table 1, there are changes in the composition and amount of revenue from project implementation, and a decrease in service income which is primarily driven by reduced demand for services from the International Fund for Agricultural Development – a trend supported in the strategic plan.

19. The actual financial performance of UNOPS in 2008-2009, to be reflected in the certified financial statement for the biennium, will depend on revenue obtained and expenditures made until the last day of 2009. It will also be greatly influenced by determinations of write-offs or bad debt provisions for historic liabilities. The revenue and expenditure pattern is clear and in large part aligned to set targets. However, the outcome of accounting provisions are difficult to estimate in advance, as in many cases this requires agreements with partner organizations, arbitration settlements with contractors, or financial commitments by donors. At the time of budget preparation, it was necessary to make certain assumptions regarding expected opening balances for the new biennium. Based on these, UNOPS will meet – or slightly exceed – the net revenue target set for the biennium. The actual

result, and any impact on future planning, will be reported to the Executive Board at its annual session, 2010.

Table 1. Budget estimates for 2010-2011

	2008-2009 budget	2010-2011 (estimate)	Change
Revenue from project implementation	$118,346,500	$125,325,259	$6,302,644
Revenue from service projects	$14,997,400	$6,385,500	-$8,611,900
Revenue from other sources	$0	$8,554,708	$7,230,823
Total revenue	$133,343,900	$140,265,467	$6,921,567
Staff cost	$43,109,169	$44,644,277	$1,535,108
Non-staff cost	$26,881,382	$16,976,418	-$9,904,964
Total regional office and country office cost	$69,990,551	$61,620,695	-$8,369,856
Staff cost	$33,315,150	$36,233,378	$2,918,228
Non-staff cost	$6,891,451	$9,229,757	$2,338,306
Total headquarters cost	$40,206,601	$45,463,135	$5,256,534
United Nations service fees (including UNDP)	$2,546,875	$4,865,288	$2,318,413
Investments	$3,276,274	$2,809,324	-$466,950
Other corporate costs	$3,489,500	$15,507,025	$12,017,525
Total corporate costs	$9,312,649	$23,181,637	$13,868,988
Total cost	$119,509,801	$130,265,467	$10,755,666
Net surplus (loss) from ongoing operations	$13,834,099	$10,000,000	-$3,834,099
Provisions for write offs, current biennium	-$500,000	-$5,000,000	-$4,500,000
	-$500,000	-$5,000,000	-$4,500,000
Total estimate budget, including extraordinary gain (loss)	$120,009,801	$135,265,467	$15,255,666
Contribution to the reserve	$13,334,000	$5,000,000	-$8,334,000
Reserve opening balance	$22,813,080	$38,897,810	$16,084,730
Reserve closing balance	$36,147,079	$43,897,810	$7,750,731

Operational reserve

20. The operational reserve requirement is based on 4 per cent of the rolling average of the combined administrative and project expenditures for the last three years of operations. The opening balance for the 2008-2009 period was $22.8 million. Currently, based on actuals for 2008 and an estimate for 2009 expenditures, the requirement stands at $36.8 million with an estimated closing balance of $36.1 million at the end of the biennium, leaving a gap of $.7 million. (The reality will be different, to be reflected in the certified financial statement.) With these assumptions and expected increases in expenditures in the period ahead, it is estimated that the reserve requirements after the 2010-2011 biennium will stand

at $44 million. In order to ensure full replenishment after the biennium, a net revenue of $5 million will be required.

21. The 2012 implementation of IPSAS standards will have fundamental impact on the financial statements, including on revenue recognition and operational reserve considerations.

22. UNOPS revenue from project implementation and services, as well as direct charges as part of project budgets, are covered in a corporate policy that is reviewed and updated from time to time. The underlying core principle is that every engagement must cover its full costs, including contributions to corporate overheads covering all functions contained in this budget proposal and to the operational reserve as a buffer for management of financial risks. When the operational reserve has been fully replenished and all historic liabilities are met, UNOPS may reduce the fees for its services from the current levels of minimum 4 per cent for transactional work, such as standard procurement, and minimum 7 per cent for project management. Recent times have seen a gradual reduction in the average fees to an estimated level of 5.6 per cent in 2009. This is due to an increased share of procurement services where fees are lower. For the upcoming period, a slight increase to 5.86 per cent is targeted.

Figure 1. Gross revenue trends, with breakdown for revenue source

(in millions of dollars)

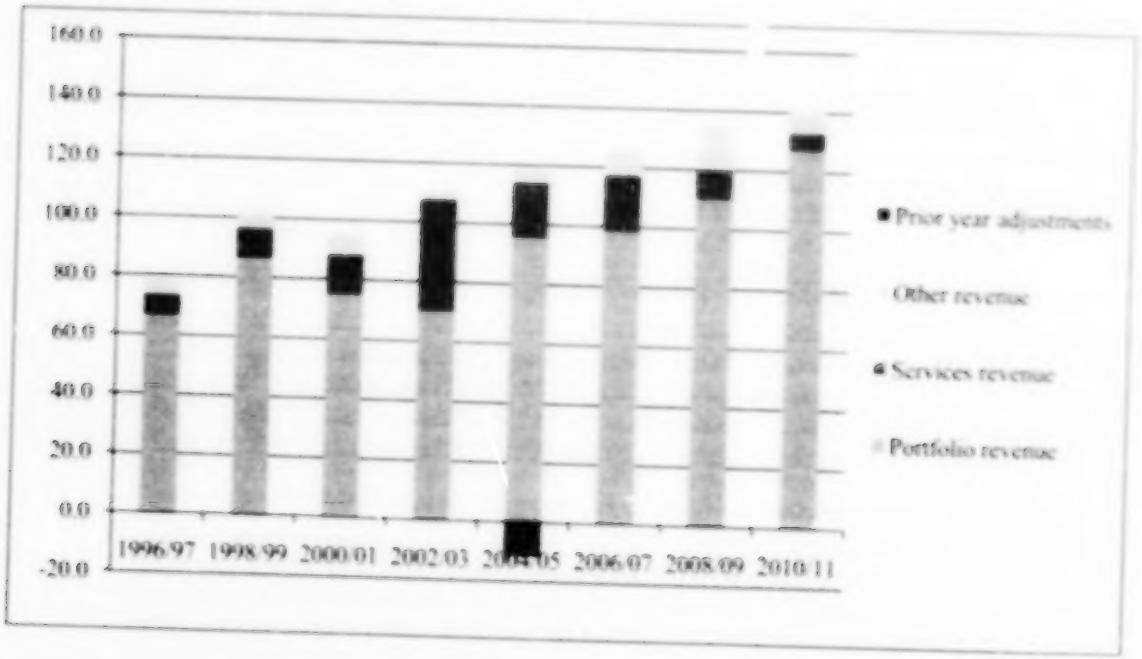
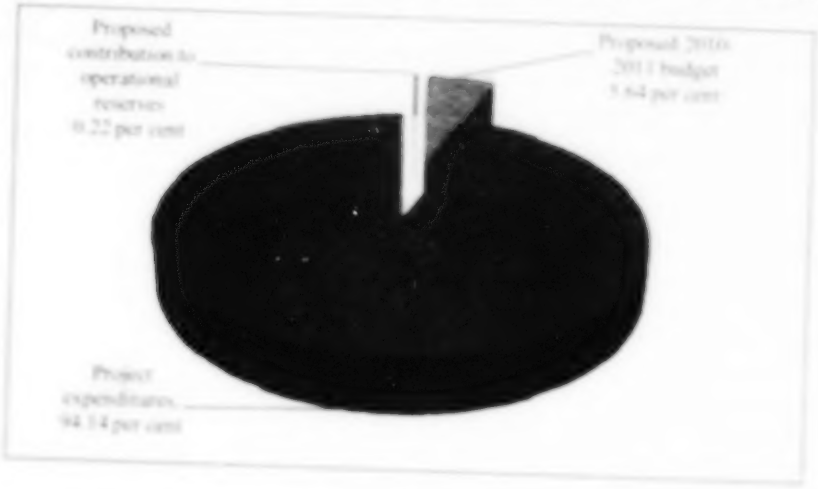


Figure 2. Summary of proposed 2010-2011 budget, project expenditures and contribution to operational reserve


Proposed contribution to operational reserves 0.22 per cent
Proposed 2010-2011 budget 5.64 per cent
Project expenditures, 94.14 per cent

III. Proposals for the biennium support budget, 2010-2011

A. Summary of proposals

23. The UNOPS proposed 2010-2011 budget reflects an overall increase of $10.7 million, or 9 per cent, as compared to the approved 2008-2009 budget (excluding provision for write-offs). This is a net increase in nominal terms that incorporates cost increases as well as savings due to efficiency gains. As detailed in table 1, corporate costs and salary costs increased while it has been possible to reduce the level of non-staff costs.

24. The net increase of $4.4 million or 5.8 per cent in staff costs includes: (a) $2.2 million for anticipated pro forma increases based on an estimated 5 per cent increase in each of the two years, including annual revision of professional salaries by the International Civil Service Commission; (b) $1 million net to fund new or previously vacant posts; and (c) $1.2 million for post-reclassifications.

25. The proposed decrease of $7.5 million in non-staff related costs is due to a host of cost containment measures, including savings from streamlining thanks to the implementation of the new organizational structure, reduction in the number of service contract holders, and in some cases, agreements with partners to charge direct costs to projects instead of the administration budget.

26. Following a comprehensive review, the budget proposals reflect an overall increase of $13.8 million in corporate costs. Major cost escalations include: (a) $2.3 million in corporate obligations for services rendered by the United Nations and UNDP; (b) $2 million for after-service health insurance; (c) $2 million for four reimbursable staff positions (fully reimbursed by partners); (d) $0.2 million for corporate liability insurance; (e) $0.62 million for separations; (f) $1 million to support staff mobility; (g) $0.5 million to support learning and training activities; and (d) $0.5 million increase in maintenance costs associated with the Chrysler Building.

27. Table 2 provides an overview of posts requested by UNOPS for 2010-2011. Compared with 2008-2009, UNOPS is reducing the number of posts in the staffing

table by 46. This takes into account the removal of unfunded positions in the current biennium and alignments with the new organizational structure, consolidation of staff resources for greater efficiency and strategic priorities in the areas of project management, internal audit and investigation, and implementation support practice leaders. The 2008-2009 approved levels were approved by the Executive Board in decision 2009/5, with post reclassification to be implemented only in 2010.

28. Specific investments include IPSAS preparations, learning and certification, strengthening of oversight, and improvement of business practices. UNOPS aims to use a total budget of $3.1 million to support strategic objectives related to increased efficiency and stronger contributions to United Nations reforms.

Table 2. Posts by category and location 2008-2009 and 2010-2011

	2008-2009 approved			2010 - 2011			Change		
	Head-quarters	Regional office	Total	Head-quarters	Regional office	Total	Head-quarters	Regional office	Total
ASG	2	0	2	2	0	2	0	0	0
D2	3	5	8	3	5	8	0	0	0
D1	7	14	21	7	12	19	0	-2	-2
Other international professionals	55	107	162	51	96	147	-4	-11	-15
All other	49	149	198	53	116	169	4	-33	-29
Total	116	275	391	116	229	345	0	-46	-46

29. The proposed 2010-2011 biennium budget includes a provision for write-offs in the amount of $5 million, compared with $0.5 million in the 2008-2009 budget. This increase is based on a current assessment of primarily historic liabilities and on the desire to make adequate provision for such liabilities and future risks.

30. Table 3 summarizes the budget proposal using the 16 harmonized budget functions. UNOPS distribution of resources among functions is a reflection of a planning process in which allocations are based on strategic goals and accountability.

Table 3. Proposed budget estimates by function

Function	Biennium
Function 1: Executive direction and leadership	1,941,748
Function 2: Representation and advancement of the core mandate	695,089
Function 3: Corporate policy and strategy development, planning and guidance	16,640,211
Function 4: Programme guidance, management and oversight	18,821,487
Function 5: Procurement and supply management	11,491,765
Function 6: Crisis prevention, recovery and emergency management	891,424
Function 7: External relations and partnerships	6,055,778
Function 8: Internal and external communication	1,724,671
Function 9: Resource mobilization and fund-raising	2,969,052
Function 10: Financial management	11,829,398
Function 11: Information and communications technology management	8,103,406
Function 12: General administration	33,198,540
Function 13: Human resources	9,066,772
Function 14: Audit and investigation	4,063,498
Function 15: Corporate evaluation	366,005
Function 16: Staff security	2,406,611

B. Description of biennium budget activities and resources, by function

31. This section provides details of the 16 harmonized budget functions that support the achievement of key management results.

Function 1: Executive direction and leadership

32. *Definition and description*. The executive direction and leadership function defines the direction for the organization, based on the mandate and long-term vision of UNOPS, and provides effective leadership of the organization.

33. *Issues and narrative*. This function will provide the accountability of the Executive Director to the Executive Board for implementation of the 2010-2013 strategic plan and relevant targets set in the biennium budget. It will hold managers within the organization accountable for their contributions to these results. Of special importance will be ensuring the adoption throughout the organization of UNOPS core values and principles: accountability and the effective use of resources; respect for national ownership and capacity; harmonization within the United Nations and beyond; and service to others.

34. This function will also provide support in the area of ethics. The ultimate goal and principle of the Ethics Office is to cultivate and nurture a culture of ethics, integrity and accountability and thereby enhance trust in, and the credibility of, the United Nations – internally and externally.

35. *Accountability and funding levels*. The Executive Office is accountable for results in this function area. The proposed funding is $1,941,748.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 3 Result: Effective corporate leadership and direction for the mandate and mission of UNOPS	Achievement of net revenue target approved by the Executive Board	*13.3 million	$5 million

* 2008–2009 net revenue target

Function 2: Representation and advancement of the core mandate

36. *Definition and description*. This function covers field activities related to representing the organization in order to advance the central elements of the UNOPS strategic plan, including its contributions to operational results of partners.

37. *Issues and narrative*. Based on the clear direction of the 2010-2013 strategic plan, UNOPS will expand the capacity of the United Nations system and its partners to implement peacebuilding, humanitarian and development operations that matter for people in need. UNOPS is committed to helping improve the coherence and efficiency of the United Nations system. At the country level, coordination with, and contributions to, United Nations country teams and associated instruments such as common country assessments and United Nations Development Assistance Frameworks will be a priority.

38. *Accountability and funding level.* The accountability lies with regional offices, operations centres and project centres. The proposed funding is $695,099.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 5 Result: Effective and enhanced contribution through partners to national development plans as well as humanitarian and peace building objectives.	Partner satisfaction with UNOPS contributions to their peacebuilding, humanitarian and development results	*TBD	TBD

* This question will appear in UNOPS partner survey, 2010, with a breakdown for each of the three areas

Function 3: Corporate policy and strategy development, planning and guidance

39. *Definition and description.* This function identifies the goals, policies and strategies of the organization to achieve corporate results. It includes strategic planning and results-based management activities based on coherent, evidence-based, substantive conceptual frameworks which enable the organization to achieve corporate results. It also includes the monitoring and reporting of progress in achieving results.

40. *Issues and narrative.* With the strategic plan in place, the emphasis of this function will be to support the Executive Office and the organization as a whole in its implementation. UNOPS will continue to strengthen its corporate performance management tools to monitor and drive achievement of operational and management results. Management reports and analysis will support corporate decision making geared towards operational efficiency and effectiveness, as well as management of risks. The function will also coordinate and support major change initiatives, and disseminate corporate policy.

41. This function also covers the provision of legal support to the Executive Director and all UNOPS offices. The legal team is responsible for: (a) policy advice on procurement, contracts, human resources and institutional issues; (b) mitigating certain risks of the organization; and (c) ensuring transparency of process and accountability.

42. *Accountability and funding levels.* The accountability lies with the Corporate Performance and Management group and the Legal Practice group. The proposed funding level for this function is $16,640,211.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
All strategic performance objectives Result: Continuous enhancement of results-based management in the organization and its work	Completion rate of balance scorecard targets, annually	*65 per cent	75 per cent

* Baseline completion rate based on 2008-2009 estimates

Function 4: Programme guidance, management and oversight

43. *Definition and description.* This function covers the development, approval and implementation of UNOPS operational services at the country, regional and global levels. The activities undertaken within this function include guidance, management and oversight of UNOPS operations. These include areas of operational services, geographically defined portfolios, and the functional areas of the operational infrastructure.

44. *Issues and narrative.* Committed to operational excellence, UNOPS has assigned responsibility for integration and continuous improvement of modalities for management and oversight to all management practices and implementation support practices. These practice groups share similar approaches, namely standardized business processes, templates, instructions and supporting guidance accessible via UNOPS intranet throughout the organization. They also offer targeted training and certification of practitioners aimed at ensuring consistency in application of polices and tools. These approaches enhance UNOPS operational capacity and objective to obtain external certification, such as International Organization for Standardization 'ISO 9001' on quality management.

45. Partners needs and expectations are managed through standardized project management processes, derived from the Prince2 project management methodology, and maintained by the project management practice. This practice, together with the other three management practices, procurement, financial management and human resources, constitute UNOPS operational infrastructure. They work together to provide guidance, and enable management support and oversight of operational services in the organization.

46. The quality of specific areas of service is coordinated by implementation support practices. These work to deepen strategic partnerships and ensure that services meet partner requirements. They codify UNOPS policy standards, for the respective service area, and constitute global resource depositories for know-how and expertise by retaining and recycling lessons learned. This approach also assists in risk assessments in connection with review of new engagements, and helps ensure that quality standards are met throughout implementation.

47. *Accountability and funding level.* Accountability for managing the function, although not the operational results as such, rests with the Corporate Performance and Management group for project management, change management and quality management certification. The Corporate Outreach and Partnership group is accountable for managing the implementation support practices. The proposed funding level is $18,821,487.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 3 and 6 Result: Enhance the quality and effectiveness of UNOPS services	Partner satisfaction with services provided by UNOPS	*87 per cent	88 per cent

* Baseline rate based on results from 2009 partner survey.

Function 5: Procurement and supply management

48. *Definition and description.* This function covers the capacity of UNOPS in the supply and procurement areas to ensure value for money and to provide guidance and oversight for the procurement of goods and services. It includes procurement in support of project management on behalf of partners and direct procurement services for partners. It also includes national capacity development.

49. *Issues and narrative.* Based on the strategic plan, a specific procurement strategy, presently available in draft, will be finalized in early 2010. It will support efforts to create procurement practices based on a broader supply chain management approach and contain specifics on service focus, tools improvement and staff development. Key priorities include how UNOPS will contribute to United Nations reforms in the procurement area, such as by the hosting the United Nations 'global marketplace' on behalf of the United Nations system. UNOPS will contribute procurement expertise and offer quality procurement services demanded by its partners, including support to national capacity development. The continued improvement of business processes and external certification are essential to achieving operational excellence in procurement and supply management.

50. *Accountability and funding levels.* The Procurement Practice group is accountable. The proposed funding is $11,491,765.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 6 Result: Timely and effective procurement services consistent with existing regulations	Partner satisfaction with UNOPS procurement services	*89 per cent	90 per cent

* Baseline rate based on results from 2009 partner survey.

Function 6: Crisis prevention, recovery and emergency management

51. *Definition and description.* This function covers policies, strategies, guidelines, partnerships and capacity-building in UNOPS country offices for emergency preparedness, response and recovery services. It also includes UNOPS involvement in United Nations humanitarian reforms and related inter-agency frameworks.

52. *Issues and narrative.* UNOPS will continue to develop its internal response capacities in line with the focus of the strategic plan on post-disaster and post-conflict infrastructure damage assessment, critical procurement activities and early recovery of infrastructure as well as income generating activities. This represents an important part of UNOPS efforts and is inherently linked to other functions.

53. *Accountability and funding level.* The accountability for coordination lies with the Corporate Outreach and Partnership group, and on-the-ground performance with regional offices and operations centres. The proposed funding is $891,424.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 8 Result: Ensure UNOPS response to humanitarian and post-crisis situations, through partners, consistent with United Nations mandates	Number of countries where UNOPS is active in humanitarian and post-crisis response	12	15

Function 7: External relations and partnerships

54. *Definition and description.* This function covers organization support to, and relations with, the Executive Board and other oversight bodies. It also involves building partnerships within the United Nations, with international financial institutions, governments and non-governmental organizations.

55. *Issues and narrative.* The accountability to Member States will require a continued refinement of reporting to the Executive Board. UNOPS does not have a political or policy mandate; it complements other members of the United Nations system by contributing its implementation expertise. Its partnerships with organizations that have such mandates are therefore of paramount importance. UNOPS will strengthen existing partnerships and seek to build new partnerships with key organizations.

56. *Accountability and funding level.* Accountability lies with the Corporate Outreach and Partnership group, regional offices and operations centres. The proposed funding is $6,055,778.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 4 and 5 Result: Strengthen existing partnerships and build new partnerships with United Nations and other multilateral partners	Partner satisfaction with UNOPS contribution to United Nations country teams	*74 per cent	78 per cent

* Baseline rate based on results from 2009 partner survey.

Function 8: Internal and external communication: media and public relations

57. *Definition and description.* This function covers the efforts of UNOPS to make its accomplishments known to its stakeholders and to be transparent and accountable for its results.

58. *Issues and narrative.* UNOPS is committed to strengthening communication internally and with Member States, partner organizations, and members of the public who may be interested. UNOPS will therefore continue to expand its ability to deliver clear, accurate communication materials, primarily through the external website. Over the biennium UNOPS will focus on communicating its strategic plan, its operational role contributing to partners' results and its focus in the areas of

peacebuilding, humanitarian assistance and development. UNOPS will also emphasize its unwavering commitment to the United Nations.

59. Activities under this function also aim to improve internal communication within and across organizational units and practices. The flow of communication within the organization will be facilitated by a redefined intranet site and related tools.

60. *Accountability and funding level.* The accountability rests with the Corporate Outreach and Partnership group and the proposed funding for this function is $1,724,671.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 4 Result: Enhanced internal communication	Average positive response to questions in the annual staff survey pertaining to information and communication	*70 per cent	75 per cent
	Number of new pages and page updates on website	**TBD	TBD

* Baseline rate based on 2009 staff survey.

** The new UNOPS website was launched at the end of 2008. Results from 2009 will be available in the beginning of 2010 and inform target setting for 2010-2011.

Function 9: Resource mobilization and fund-raising

61. *Definition and description.* This function includes UNOPS efforts to encourage partner demand for its operational services. (It differs from the same function of UNDP, UNICEF and UNFPA as there is no resource mobilization for the core budget of the organization.)

62. *Issues and narrative.* As stated in the strategic plan, UNOPS will continue to target opportunities where operational capacities are lacking or where the United Nations would benefit from additional capacity through shared-service approaches. While partner relations are primarily decentralized to the country level, the corporate function will provide strategic guidance, coordination and oversight. Implementation of the engagement acceptance policy and pricing policy should help ensure the UNOPS portfolio is focused, that risks associated with new engagements are managed, and that prices cover UNOPS true cost for each engagement.

63. *Accountability and funding level.* The accountability for strategic direction, coordination and guidance will rest with the Corporate Outreach and Partnership group. The day-to-day accountability rests with regional offices, operations centres and project centres. The proposed funding level for this function is $2,969,052.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 5 Result: Resources are mobilized in line with revenue projections in the 2010-2011 biennium budget	Gross revenue (revenue from project implementation plus revenue from services)	*$136.6 million	$140.2 million

* 2008-2009 estimate.

Function 10: Financial management

64. *Definition and description.* This function includes establishing and maintaining systems of financial management and accountability; managing financial and other assets of UNOPS; supporting the allocation of resources to optimize use of expected and/or available funds, based on strategic priorities (planning and budget); and managing and reporting on financial transactions involving the use of resources (accounting, payments, reporting, etc.). In UNOPS, this function also supports financial management services to partners.

65. *Issues and narrative.* This function will focus on the consistent application of policies and tools throughout the organization, guidance and advice, and staff training for risk management, internal controls and oversight. The preparation for IPSAS implementation will be a priority for the biennium. Partner and annual financial reports will be further automated and the finance function will also provide the contact point for United Nations Board of Auditors. The finance practice will guide regional and country operations to ensure that UNOPS operations meet best practice standards.

66. UNOPS has demonstrated financial stability for three consecutive years; accountability and transparency have improved; and risk management, internal controls and oversight have been strengthened. Establishing an environment to achieve such results includes continued implementation and refinement of UNOPS internal control and risk management framework.

67. *Accountability and funding level.* The accountability lies with the Finance Practice group and the proposed funding level for this function is $11,829,398.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 1 and 2 Result: Improved financial management procedures and systems	Number of organizational directives, administrative instructions and guidance documents related to financial management	10	20

Function 11: Information and communications technology management

68. *Definition and description.* Information and communication technology management supports UNOPS operations worldwide. UNOPS achieves this by maintaining and supporting existing systems and infrastructure, and by developing and deploying new information and communication technology systems and infrastructure. This includes the development of web based systems that extend the reach of UNOPS information and communication technology network; the deployment of data security; and strengthening the web based presence of UNOPS.

69. *Issues and narrative.* Priorities are governed by an information and communication technology strategy and an information and communication technology advisory board. These teams will work hand-in-hand with the management practices to provide services and products that will facilitate and improve partner service delivery. Specific goals include making optimal use of Atlas, the web-based system operated jointly with UNDP, UNFPA and others, and providing timely and reliable management reports for oversight, partner reporting

and analysis. This includes development of tools and systems to support management practices and implementation support practices, and the provision of a secure, flexible and effective information and communication technology infrastructure to support communication and collaboration throughout the organisation. New solutions will provide standardized, affordable, and easily manageable information and communication technology services for fast setup of new project offices in locations where little infrastructure or local information and communication technology capacity exist.

70. A communications project, which integrates the telephone systems of UNOPS, UNDP, UNFPA, the World Health Organization and the United Nations secretariat, and provides free internet-based calls between the offices of participating organizations offers opportunity for savings.

71. *Accountability and funding level.* The accountability rests with the Corporate Support group. The proposed funding level for this function is $8,103,406.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 8 Result: Information and communications technology platform effectively supports and serves programmatic and management needs	Positive response to the question in the annual staff survey pertaining to satisfaction with information and communication technology platforms and existing tools and systems	*TBD	TBD

*Baseline to be established in the 2010 staff survey and inform the target for 2010-2011.

Function 12: General administrative management

72. *Definition and description.* This function entails the provision of premises, facilities and support services (for headquarters, liaison offices, country offices and regional offices) that are functional, cost-effective and adequate. The function is also responsible for establishing administrative policies and procedures and ensuring compliance.

73. *Issues and narrative.* Activities include management of global facilities, negotiating and procuring leases, and issuance of administrative instructions to staff as they relate to administrative matters, distribution of travel advisories, long-term agreements with suppliers of goods and services, purchase and maintenance of furniture and other office equipment, and oversight of telecommunications. This function includes coordination of administrative management efforts with partner UN organizations located in shared premises. This function includes the largest share of the proposed 2010 – 2011 budget primarily because it includes the budget for corporate costs.

74. *Accountability and funding level.* The accountability lies with the Corporate Support group and the proposed funding is $33,198,540.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 8 Result: Improved administrative management procedures and system	Number of corporate administrative management procedures and guidance documents developed and modified	6	10

Function 13: Human resources

75. *Definition and description.* This function involves recruiting qualified personnel internally and externally to fill vacancies; deploying and rotating staff to support the objectives of the organization; training and educating staff to ensure they possess the skills and competencies required for organizational functions; establishing and managing a system of performance review and evaluation that rewards personal and organizational performance and provides remediation for less-than-satisfactory performance; and providing counseling for staff for career development and grievances. In UNOPS, this function is also supporting human resources services as part of the project management practice, and as direct provisioning of such services to partners.

76. *Issues and narrative.* The biennium includes a number of critical changes within UNOPS in the area of human resources management. In support of contractual reform, UNOPS will continue to work on implementing best practices in the conversion to common United Nations staff contracts. The function will ensure that post levels are harmonized within the United Nations system. Streamlining of business processes will ensure that vacancies are filled speedily and competitively.

77. Organizational effectiveness and career development of personnel will also be fostered by a series of policies and related tools that have been recently developed, or are under development. A new work force statistics and analysis tool will support decision making. Career management initiatives include improved performance management, rewards and recognition and staff mobility. With the creation of a toolkit and various flexible working solutions, UNOPS is providing the foundation for improving the 'work life balance' of its personnel. In order to retain and develop talent, UNOPS will continue to support professional development, learning and training opportunities for personnel and is in the process of preparing a new learning and training policy with a broad range of opportunities.

78. In 2010, this function should develop a specific human resources services strategy and approach to expand and improve such services to partner organizations. Economies of scale will make it possible to cut costs and make necessary investment in policies, tools and people.

79. *Accountability and funding level.* The accountability lies with the Human Resources Practice Group and the proposed funding is $9,066,772.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 8, 9, 10, and 11 Result: Attract, develop and retain talented, motivated and diversified staff	Average positive response on job satisfaction questions in the annual staff survey	*83 per cent	84 per cent
Strategic performance objective 8 Result: Increased speed in recruitment	Recruitment time from the close of the vacancy to provisional offer	110 days	**100 days

* Baseline rate based on results from 2009 staff survey which evaluates 2008 performance

** As indicated in draft recruitment policy

Function 14: Audit and investigations

80. *Definition and description.* This function captures the costs of regularly updating the risk universe; planning, conducting, monitoring and communicating on internal audit and investigation exercises; preventing and detecting fraud; and conducting investigations. Audit and investigations should assist management to assess and improve the adequacy, efficiency and effectiveness of control systems, business practices and use of resources to achieve results. Internal audit provides the Executive Director and UNOPS governing bodies with reasonable assurance on UNOPS governance and risk-management processes, internal controls and the quality of its performance in supporting the accountability framework.

81. *Issues and narrative.* UNOPS recognizes the crucial role internal audit and investigations have within the organization, particularly in support of the 2010-2013 strategic plan, which identifies 'accountability for results and efficient use of resources' as a UNOPS core value. This function will provide independent and impartial assurance and advice designed to improve UNOPS operations, including to: (a) identify and address risks to assist UNOPS in re-evaluating its risk management approach; (b) manage relevant interaction with various UNOPS governance and oversight bodies, including the UNDP/UNFPA Executive Board and the UNOPS strategy and audit advisory committee; (c) assess that financial and other managerial information is timely, complete and accurate; (d) assess that staff and other personnel actions are in compliance with policies and legislation, particularly given the recent introduction of new and updated organizational directives and new UNOPS Financial Regulations and Rules adopted in 2009; (e) assess that resources are used economically, effectively and efficiently; and (f) continuous improvements in the control processes of the organization.

82. *Accountability and funding level.* The accountability rests with the Internal Audit and Investigations group and the proposed funding is $4,063,498.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
Strategic performance objective 2 Result: Risk environment assessed through relevant and high quality reports	Number of internal audits and investigations conducted by UNOPS	*92 reports issued	110

* Baseline data based on estimates for current biennium

Function 15: Corporate evaluation

83. *Definition and description.* Evaluation is a function comprising corporate performance under the overall direction of the Executive Director, as well as evaluation by partners of programmes and projects which UNOPS supports. The corporate evaluation function provides independent review of the efficiency, effectiveness, impact and achievements towards the core mandate of UNOPS to the Executive Director, management committees and all staff on a regular basis.

84. *Issues and narrative.* This function is closely linked to the corporate performance management system associated with function 4. The information systems and management arrangements will result in more sophisticated analysis and materials underpinning strategic decision making. Those leading management and implementation support practices, will be required to make greater efforts to systematically analyze lessons learned from operations, together with partners. This body of knowledge will be disseminated internally in the form of supporting guidance with a view to continuously improving service quality and operational performance.

85. *Accountability and funding level.* The accountability rests with the Corporate Performance and Management group and the proposed funding is $366,005.

Expected key results

Strategic performance objective and key result	Indicator	Baseline	Target
All strategic performance objectives Result: Enhanced use of self-evaluation resulting in improved effectiveness and efficiency	Number of guidance notes available in the UNOPS knowledge system	*51	150

* Baseline data based on estimates for 2009 alone

Function 16: Staff security

86. *Definition and description.* This function covers activities related to ensuring a safe a secure environment and facilities for the personnel of the organization so that UNOPS may plan and implement operations effectively. It includes establishing and maintaining policies, procedures, guidance and systems of security management and accountability, providing an enabling environment for safe and secure operations and contributing to safety and security in all locations for UNOPS personnel.

87. *Issues and narrative.* The safety and security function will provide UNOPS business units with advice, guidance and technical assistance with regard to safety and security. The guidance and technical assistance provided by this function includes enabling UNOPS to be in compliance with the United Nations security management system through applicable policies and compliance requirements; accessibility for personnel to relevant safety and security documents and security advisories; minimum operating security standards compliance guidelines; road safety guidelines; security awareness for women; and security training to including basic and advanced security in the field, and so forth.

88. *Accountability and funding level.* The accountability lies with the Corporate Support group and the proposed funding is $2,406,611.

Expected key results

Strategic performance objective and key result	**Indicator**	**Baseline**	**Target**
Strategic performance objective 8 Result: Staff security strengthened through compliance with minimum operating security standards	Percentage of evaluated offices that are compliant with minimum operating security standards	*65 per cent	85 per cent

* Baseline reflecting estimated 2008 - 2009 results

Summary tables

Summary table 1. Proposed changes in senior posts

	ASG	D2	D1	Total
2008-2009 approved posts	2	8	21	31
A. Proposed increases and decreases				
Headquarters				
Field			-2	
Total increases and decreases				
B. Proposed reclassifications	0	0	0	0
Total changes (net)			-2	-2
2010-2011 proposed posts	2	8	19	29

Summary table 2. Budget estimates by expenditure category

(in millions of dollars)

Expenditure category	2008- 2009 Estimates	2010- 2011 Estimates	Increase Decrease Amount	%
Posts a/	80.0	83.1	3.1	3.9%
Consultants b/	11.6	10.8	-0.8	-6.9%
Travel	4.5	4.3	-0.2	-4.4%
Operating expenses c/	14.0	22.2	8.2	59.0%
Furniture and equipment	1.1	0.3	-0.8	-72.7%
Reimbursements	4.6	4.1	-0.5	-10.4%
Insurance and security	4.1	5.9	1.8	43.3%
Total gross budget estimates	119.9	130.7	10.8	9.0%
Estimated income credit	-0.4	-0.5		
Total net budget estimates	119.5	130.2	10.8	9.0%

a/ Includes costs for posts (local and international), and learning costs.

b/ Includes international consultants, local consultants, contractual services and company contracts.

c/ Includes general operation expenses, material and goods, communication and audio-visual equipment, hospitality, information technology equipment, rental and maintenance, and miscellaneous expenses.

Annex

Annex 1: Terminology

Activity: A sub-category, or group, that specifically supports a function. Each function can be divided into one or more activities.

Appropriation: An authorization by the Executive Board to the head of the organizatoin to commit biennium support budget funds during the biennium.

After-service health insurance: Health insurance provided post employment.

Biennium budget: The budget of UNOPS that covers a set of functions that support the operational activities of the organization, in support of its mission and mandate at all levels, within the framework of the strategic plan.

Cost (increase/decrease): An increase/decrease in the cost of a resource input in the budget period compared with the previous budget period, arising from changes in costs, prices and exchange rates.

Function: A group of activities, funded by the biennium budget, to operate and improve the organization in order to assure the effective delivery of results.

Net revenue: The difference between gross revenue and expenditure.

Net surplus/deficit: Compromises surplus or deficit from ordinary activities and extra ordinary activities.

Operational reserve: Reserve established at the level set by the Executive Board with the aim of guaranteeing the financial stability and integrity of UNOPS.

Prince2: A process-based approach for project management providing an easily tailored and scaleable method for managing projects, where each process is defined with its key inputs and outputs together with the specific objectives to be achieved and activities to be carried out.

Results-based budgeting: A results-driven budgeting process where resource justification is made for a set of expected results, with indicators, including baselines and targets to be achieved, presented by key functions.

Self-financing: Generating its capital from its own revenue, instead of acquiring it from external sources.

Strategic performance objective: Objectives that translate strategic priorities into directional and action-oriented statements of what must be done to achieve the strategic goal.

Annex 2: Methodology

Harmonization of results-based budgeting

1. The UNOPS budget estimates for the biennium 2008-2009 (DP/2008/13) took initial steps towards implementation of results-based budgeting. In its decision (2008/05) the Board requested "...UNOPS to continue efforts to harmonize its budget format with the biennial support budgets of other United Nations funds and programmes, while taking into consideration the specifics of UNOPS. With the current proposals, UNOPS has implemented the harmonized approach of UNDP, UNICEF and UNFPA with only minor modifications in order to adjust to the different business model of UNOPS. The benefit of using the harmonized standards has, for the purpose of this submission, been given priority over the selection of alternatives better suited to UNOPS. However, UNOPS performance management system complements the results-based budgeting system with its results and indicators, providing comprehensive coverage required for management purposes.

Selection and definition of functions

2. UNOPS made every effort to harmonize fully with the UNDP, UNICEF and UNFPA functional framework. To that end, the UNOPS results-based budget includes 16 harmonized functions but has, in some instances, deviated from definitions used by the other organizations. When harmonized functional definitions were not applicable to UNOPS, they were modified to fit within the original intent of the definition and the specifics of UNOPS. The most obvious example is function 2 representation and advancement of the core mandate. In the harmonized framework, this speaks to the field activities related to representing the policy mandate of the specific organization. In line with its mandate, UNOPS definition deals with how it contributes to operational results of partners. Resource mobilization and fund-raising – function 9 – is another example where UNOPS is different in that no funds are mobilized for the core budget.

Function allocation

3. There may also be variation in the allocation methodology among the different organizations. UNOPS teams may have a greater tendency to support multiple functions creating a one-to-many relationship between units or staff and functions, as opposed to the one-to-one relationship adopted by the other three organizations. In light of its new organizational structure and complete operational responsibilities required by country offices, there was a general propensity to deviate from the harmonized functional allocation.

Results

4. UNOPS has harmonized with the results-based budget framework with only minor variance. An illustration would be under function 2, where the result is outlined as: "Effective and enhanced contribution to national development plans and priorities etc." UNOPS has added the humanitarian and peace-building areas and emphasized its contributions through operational support to its partners.

Accountability

5. The assignment of accountability for functions was made at the highest unit level, which however, does not exclude accountability at lower organizational levels or by individuals.

Indicators

6. A general principle used to develop indicators (and subsequent baseline and targets), was to ensure the availability of present – and future – data. Therefore: (a) where possible, indicators are based on data collected in 2008; (b) in other cases, 2009 results were estimated by using average 2008-2009 results as the baseline; (c) where no relevant data on 2008 and 2009 was available, the baseline indicator was stated as 'TBD'.